

Message Text

CONFIDENTIAL

PAGE 01 MUSCAT 01596 261007Z
ACTION EB-07

INFO OCT-01 NEA-10 ISO-00 SP-02 USIA-06 AID-05 NSC-05
CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00
COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04
SIL-01 PA-01 PRS-01 L-03 INT-05 /088 W
-----261014Z 124744 /10

R 260830Z DEC 76
FM AMEMBASSY MUSCAT
TO SECSTATE WASHDC 2778
INFO AMEMBASSY ABU DHABI
AMEMBASSY JIDDA
RUQMKWJIAMEMBASSY KUWAIT 709
AMEMBASSY MANAMA

C O N F I D E N T I A L MUSCAT 1596

MANAMA FOR DODSON

E.O. 11652: GDS
TAGS: EMIN MU
SUBJECT: MINERALS IN OMAN: SLOW DEVELOPMENT BUT GOOD POTENTIAL

1. SUMMARY: THE MAIN REASON WHY OMAN'S COPPER DEPOISTS ARE NOT BEING DEVELOPED IS LACK OF FINANCING. WHILE AS SUBSTANTIAL AREA OF THE NORTHERN MOUNTAINS HAS YET TO BE SURVEYED ADEQUATELY, KNOWN RESERVES COULD SUPPORT AT LEAST 15 YEARS OF EXPLOITATION. PROSPECTION LTD. OF CANADA AND MARSHALL EXPLORATION OF TEXAS, WHICH PRESENTLY HOLD THE NORTHERN MINING CONCESSIONS, WILL BE FORCED TO RELINQUISH 90 PERCENT OF THE AREA BY MID 1978. AS NEW DEPOSITS ARE DISCOVERED, LARGE AMERICAN MINING FIRMS MAY WISH TO BECOME MORE INVOLVED IN OMAN'S MINERAL DEVELOPMENT. END SUMMARY.

2. COPPER DEPOSITS WEST OF SOHAR IN OMAN'S NORTHERN MOUNTAINS COULD BE A SIGNIFICANT EXPORT FOR OMAN AS OIL REVENUES DROP, ALTHOUGH HARD MINERALS WILL NEVER BE MORE THAN A PARTIAL
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 MUSCAT 01596 261007Z

SUBSTITUTE FOR PETROLEUM. THE THREE SURFACE ORE BODIES NEAR SOHAR CONTAIN PROVEN DEPOSITS OF 18 MILLION TONS, AVERAGING 2.1 PERCENT COPPER. OMAN'S COPPER RESOURCES MAY BE MUCH GREATER SINCE A FOURTH SIGNIFICANT DEPOSIT WAS RECENTLY FOUND WEST OF THE JEBEL AKHDAR RANGE, AND A STRING OF KNOWN BUT UNSURVEYED DEPOSITS STRETCH ALMOST TO MUSCAT. ONE HUNDRED

THOUSAND FEET OF ROCK HAVE BEEN DRILLED ALREADY, AND AERIAL ANOMALY AND GEOCHEMICAL DETECTION ARE BEING USED EXTENSIVELY. THE ONLY ACTIVE MINERAL DEVELOPMENT IN OMAN IS BEING CARRIED OUT BY OMAN MINING COMPANY, A JOINT VENTURE BETWEEN THE OMANGOV (51 PERCENT), PROSPECTION LTD. OF CANADA, WHICH IS PERFORMING THE PRELIMINARY SURVEYING, AND MARSHALL EXPLORATION OF TEXAS.

3. THE THREE MAJOR DEPOSITS, ABOUT 30 MILES FROM SOHAR ALONG THE WADI JIZZI, ARE CLOSE ENOUGH TO A NEW ROAD BEING BUILT TO BURAIMI THAT TRANSPORTATION WILL NOT BE A PROBLEM. A FLOTATION AND CONCENTRATION COMPLEX USING SEAWATER PIPED FROM SOHAR WOULD BE BUILT NEAR THE DEPOSITS, AND A \$33 MILLION SMELTER WILL BE PLACED IN AN UNPOPULATED AREA WHERE POLLUTION WILL NOT PRESENT A PROBLEM. (POWER WOULD BE NO DIFFICULTY, BECAUSE THE PROJECTED GAS PIPELINE TO THE COAST WOULD BE COMPLETED BEFORE THE SMELTER GOES ON STREAM.) ROUGHLY 3,500 TONS OF ORE WOULD BE PROCESSED DAILY, WHICH WOULD EXHAUST THE DEPOSITS IN 15 YEARS. SINCE SOHAR DOES NOT HAVE A NATURAL HARBOR OR GOOD PORT FACILITIES, THE COPPER INGOTS WOULD BE SHIPPED TO MUTRAH PORT. IN ORDER TO REDUCE DEPENDENCE UPON THE VAGARIES OF THE LONDON METAL EXCHANGE, PROSPECTION IS CONSIDERING FABRICATING THE REFINED COPPER INTO ELECTRIC WIRE AT A PLANT SOUTH OF SOHAR INSTEAD OF EXPORTING INGOTS.

4. PROSPECTION AND MARSHALL ARE UNDER INCREASING PRESSURE FROM THE OMAN GOVERNMENT TO DEVELOP THE DEPOSITS AHEAD OF SCHEDULE. THE PRIVATE PARTNERS RELINQUISHED 50 PERCENT OF THE ORIGINAL CONCESSION IN 1975, AND 90 PERCENT OF THE REMAINDER MUST BE GIVEN UP IN 1978; PROSPECTION/MARSHALL WILL BE ALLOWED TO KEEP ONLY TEN MINING SITES THEREAFTER. FINANCING CONTINUES
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 MUSCAT 01596 261007Z

TO BE THE MAIN DIFFICULTY; OF THE TOTAL INVESTMENT OF \$140 MILLION ALLOCATED FOR COPPER IN THE FIVE YEAR PLAN, HALF MUST COME FROM THE PRIVATE SECTOR, AND PROSPECTION'S ATTEMPTS TO OBTAIN COMMERCIAL FINANCING HAVE FALLEN THROUGH RECENTLY. BECHTEL, WHICH SEEMED TO HAVE THE INSIDE TRACK ON DOING THE CONSTRUCTION WORK, MAY BE TOO EXPENSIVE FOR THE LIMITED RESOURCES OF THE PROSPECTION/MARSHALL GROUP. THE OMANGOV HOPES THAT THE ABU DHABI AND KUWAIT FUNDS WILL TAKE UP THE SLACK, BUT THIS WOULD REQUIRE 100 PERCENT OMANGOV OWNERSHIP UNLESS THE RULES WERE CHANGED. IN ANY EVENT, IT WILL TAKE ALMOST THREE YEARS EVEN AFTER FINANCING IS OBTAINED FOR COPPER MINING TO GO ON STREAM.

5. IN ADDITION TO COPPER, THERE ARE SIGNIFICANT, IF SCATTERED, DEPOSITS OF CHROMITE AND OTHER MINERALS. PROSPECTION MANAGERS WOULD NOT PROVIDE EMBOFF WITH ESTIMATES OF RESERVES, BUT THEY BELIEVE THAT CHROMITE DEVELOPMENT WILL BE PROFITABLE. (PREVIOUS ESTIMATES OF 500,000 TONS OF CHROMITE ARE NOT

EXCITING, BUT A NEW CHROMITE DEPOSIT HAS BEEN FOUND RECENTLY.)

THERE ARE ALSO DEPOSITS OF ZINC, GOLD, AND IRON ORE IN UN-
PROFITABLY SMALL AMOUNTS, AS WELL AS MANGANESE AT THE SOUTHERN
EDGE OF THE HAJAR RANGE NEAR SUR. THE OMANGOV HOPES TO USE THE
10 MILLION TONS OF COAL DEPOSITED IN OMAN'S MOUNTAINS TO HELP
PROVIDE ENERGY AFTER 1985. ASBESTOS IS BEING DEVELOPED BY ETERNIT
(A SWISS/LEBANESE CONSORTIUM), AND LIMESTONE IS PLENTIFUL IN THE
HAJAR MOUNTAINS. THE WEST GERMAN GOVERNMENT HAS SHOWN PARTICULAR
INTEREST IN OMAN'S MINERALS AND IS SPONSORING SURVEY TEAMS IN
BOTH THE NORTH AND IN DHOFAR.

6. COMMENT: THE OMANGOV'S DISSATISFACTION WITH THE LEISURELY
PACE OF PROSPECTION'S EFFORTS COULD FORCE PROSPECTION TO GIVE
UP MOST OF ITS CONCESSION AND ALLOW A LARGE MINING COMPANY
TO MOVE IN. THIS WOULD BE UNFAIR IN SOME RESPECTS TO PROS-
PECTION, WHICH IS PERFORMING GOOD EXPLORATION JOB, AND MANY
MORE SURVEYS WILL BE NEEDED BEFORE THE OMANGOV WILL HAVE AN
CONFIDENTIAL

CONFIDENTIAL

PAGE 04 MUSCAT 01596 261007Z

ADEQUATE PICTURE OF OMAN'S REAL MINERAL POTENTIAL. WE WOULD
HOPE THAT LARGE AMERICAN MINING FIRMS WOULD BE PREPARED TO MOVE
AGGRESSIVELY INTO THE OMAN MINERAL FIELD IF PROSPECTION/MARSHALL
IS FORCED TO RELINQUISH MOST OF ITS CONCESSION.
WOLLE

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MINERALS, EXPLOITATION (NATURAL RESOURCES)
Control Number: n/a
Copy: SINGLE
Draft Date: 26 DEC 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ElyME
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976MUSCAT01596
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760472-0542
From: MUSCAT
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19761213/aaaaalgp.tel
Line Count: 144
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: ElyME
Review Comment: n/a
Review Content Flags:
Review Date: 19 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <19 MAY 2004 by BoyleJA>; APPROVED <15 SEP 2004 by ElyME>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: MINERALS IN OMAN: SLOW DEVELOPMENT BUT GOOD POTENTIAL
TAGS: EMIN, MU
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006